



Amy G. Rabinowitz
Counsel

May 29, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: D.T.E. 03-2

Dear Secretary Cottrell:

I am enclosing for filing the pre-filed testimony of Michael McAteer. In his testimony, Mr. McAteer explains the proposed Municipal Efficiency Program, including the financing component.

Thank you very much for your time and attention to this matter.

Very truly yours,

Amy G. Rabinowitz

cc: Service List

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MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
Docket No. D.T.E. 03-2
Witness: McAteer

DIRECT TESTIMONY

OF

Michael McAteer

1 **I. Introduction & Qualifications**

2 Q. Please state your name and business address.

3 A. My name is Michael McAteer. My business address is 55 Bearfoot Road,
4 Northborough, Massachusetts 01532.

5

6 Q. By whom are you employed and in what capacity?

7 A. I am Manager of Business Energy Efficiency Services for National Grid USA
8 Service Company, Inc. In this capacity, I have planning and oversight
9 responsibility for the energy efficiency programs available to business customers
10 of the following National Grid subsidiaries: Massachusetts Electric Company and
11 Nantucket Electric Company in Massachusetts (collectively “Mass. Electric”),
12 The Narragansett Electric Company in Rhode Island, and Granite State Electric
13 Company in New Hampshire (collectively “Companies”). I explain these
14 programs in more detail below.

15

16 Q. Please describe your educational background and training.

17 A. In 1973, I graduated from the University of Wisconsin- Madison with a B.A.
18 degree. In 1978, I attended the University of Wisconsin’s Graduate Studies in
19 Curriculum and Instruction.

20

21 Q. Please describe your professional background.

22 A. I joined New England Power Service Company in 1987 and held a succession of
23 positions from Analyst through Principal Analyst in the Load Management and

1 Conservation Department. In these positions I was involved in the early design,
2 development, and implementation of the Companies' commercial and industrial
3 ("C&I") energy services. In 1991 I became the Program Manager for Design
4 2000, Mass. Electric's new construction program for medium and large C&I
5 customers. In 1997, I assumed responsibility for the Mass. Electric's C&I retrofit
6 program for medium and large customers, Energy Initiative. In 1999, I was
7 promoted to Manager of Business Energy Efficiency Services.
8 In this position I have the responsibility for the planning and oversight of both
9 these programs and the Small Business Services program for all of the
10 Companies.

11

12 Q. Have you ever testified before a regulatory commission?

13 A. Yes, I have testified several times before the Rhode Island Public Utility
14 Commission in the last five years.

15

16 **II. Purpose of Testimony**

17 Q. What is the purpose of your testimony?

18 A. My testimony describes Mass. Electric's Municipal Efficiency Program (MEP),
19 recently proposed for implementation beginning in the summer of 2003. This
20 program will be offered as an option under both Design 2000plus and Energy
21 Initiative as described in Mass. Electric's 2003 Energy Efficiency Plan filed with
22 the DTE in D.T.E. 03-2.

1

2 **III. Description of the Municipal Efficiency Program**

3 Q. Please describe the proposed initiative.

4 A. Mass. Electric is proposing to offer the MEP to provide financial and technical
5 resources for municipal energy efficiency projects in an effort to address the
6 financial constraints of cities and towns during the current economic downturn.
7 Given municipalities' difficulties in obtaining financial capital to purchase energy
8 efficiency measures, Mass. Electric is proposing to offer municipalities increased
9 incentives through the Design 2000*plus* and Energy Initiative Programs. Under
10 Energy Initiative, rebates will cover sixty percent of total project costs (labor and
11 materials). Under Design 2000*plus*, Mass. Electric will pay 100% of the
12 incremental cost for new construction projects.

13

14 In addition, Mass. Electric will pay the entire cost of technical assistance under
15 both Energy Initiative and Design 2000*plus*. Mass. Electric anticipates that many
16 of the projects will involve lighting retrofits and may not require technical
17 assistance. Where technical assistance is required, Mass. Electric will require
18 municipalities to sign a brief Letter of Intent/Memorandum of Understanding that
19 will indicate the municipality's intent to pursue efficiency projects identified
20 through technical assistance.

21

1 Mass. Electric intends to promote most heavily projects that can be completed in
2 2003. In addition, the initiative will strive to target cities and towns that have not
3 actively participated in Mass. Electric's efficiency programs over the last five
4 years. Mass. Electric hopes that cities and towns across the service territory will
5 participate.

6

7 Q. Will the MEP include a financing component?

8 A. Yes. Mass. Electric will allow customers to pay their Energy Initiative
9 contribution over a period of up to twenty-four months, and will put the charge on
10 the customers' electric bill, if they so wish. This is similar to the financing
11 mechanism that the Department approved in D.T.E. 94-112 for participants in the
12 small business services program to pay Mass. Electric their contribution. Unlike
13 the financing mechanism for the small business services, however, Mass. Electric
14 is not offering a discount on the rebate for municipalities that choose to pay their
15 entire contribution up front.

16

17 Q. Please describe the purpose of the financing offering for municipalities.

18 A. In general, municipalities and small business customers have similar barriers in
19 that it is difficult for them to obtain capital or low cost financing for the purchase
20 of energy efficiency measures. As with small businesses, the financing option
21 will allow municipalities to pay for the portion of the project cost that is not
22 rebated by Mass. Electric in small, equal increments for up to two years from their

1 operating budgets rather than obtain the upfront capital from their capital budgets.

2 Mass. Electric anticipates that enabling municipalities to pay for energy efficiency
3 projects from their operating budgets as opposed to their capital budgets will
4 streamline and facilitate the project approval process for the municipalities.

5 Additionally, the municipalities will make their customer payments at the same
6 time that they realize their expected reductions in energy usage due to the
7 installation of the energy efficient measures.

8

9 Q. Please describe how the proposed financing offering will work.

10 A. Mass. Electric's municipal customers will be allowed to finance their co-
11 payments, the portion of the cost of the energy efficiency measures not covered
12 by the rebate, on their electric bills for a period of up to twenty-four months. If a
13 municipality decides to retrofit or replace some of its existing lighting with a cost-
14 effective, more energy efficient option which is eligible under the Energy
15 Initiative Program, the municipality may receive a rebate covering sixty percent
16 of the cost of the energy efficient lighting retrofit as well as pay the remaining
17 forty percent of the retrofit cost in equal increments for a period of up to twenty-
18 four months. For example, if the total project cost is \$12,000, the customer may
19 receive a rebate of \$7,200 and may pay the remaining \$4,800 in installments of
20 \$200 per month on the electric bill. Municipalities will not be charged interest on
21 this financing option. If the municipalities do not pay their bills in a timely
22 fashion, however, normal arrearage rules for these customers will apply.

1

2 Q. Please describe the costs and budget for the MEP program.

3 A. Mass. Electric's goal is to provide to municipalities the amount they contribute
4 annually to the energy efficiency program by the state mandated energy efficiency
5 charge, approximately \$2.9 million. Roughly twenty percent of the \$2.9 million
6 contribution covers the costs of administering and delivering Mass. Electric's
7 efficiency programs. Additionally, Mass. Electric has already pre-approved
8 municipal applications totaling approximately \$1 million. As a result, the total
9 rebate budget available for new projects is \$1.3 million. If customers cancel their
10 currently planned projects, the money allocated for those projects will be
11 available for new municipal projects. The total costs for the MEP will be covered
12 under the Design 2000*plus* and Energy Initiative budgets.

13

14 Q. Does the Company wish to extend this financing option to any other customers?

15 A. Yes. Mass. Electric also proposes to offer a financing pilot to roughly 10 medium
16 C&I customers (100 kW to 300 kW) who are participating in the Design 2000*plus*
17 or Energy Initiative Programs. This will enable Mass. Electric to gain experience
18 with the impact such financing may have on the ability of medium C&I customers
19 to pursue efficiency projects.

20

21 Q. Is the proposed program consistent with the public interest?

1 A. Yes. It will make it easier for municipalities to install energy efficient measures,
2 which will lower their operating costs. Through the pilot for the medium C&I
3 customers, Mass. Electric will gain valuable information on the effect financing
4 would have on this group of customers, and the participating customers will
5 benefit as well. There should be no impact on any other customer, however.

6

7 **IV. Conclusion**

8 Q. Does this conclude your testimony?

9 A. Yes, it does.